

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman;
Tony L. Hammond; and
Nanci E. Langley

Modification of Mail Classification Schedule
Regarding Reply Rides Free Weight Limit

Docket No. MC2011-27

ORDER APPROVING CLASSIFICATION CHANGE
CONCERNING REPLY RIDES FREE PROGRAM

(Issued August 15, 2011)

I. INTRODUCTION

On July 29, 2011, the Postal Service filed a notice of classification change pursuant to 39 CFR 3020.90 and 3020.91 concerning the Reply Rides Free program.¹ The classification change increases the qualifying First-Class Mail letter weight and adjusts associated volume requirements. The Postal Service states the change will be effective on September 1, 2011. *Id.* at 1. The Commission shall incorporate the Reply Rides Free program classification change into the draft Mail Classification Schedule (MCS).

¹ Notice of the United States Postal Service of Classification Change Related to Reply Rides Free Program, July 29, 2011 (Notice).

II. PROCEDURAL HISTORY

In Order No. 785, the Commission docketed the Notice, established a deadline for interested persons to comment, appointed a Public Representative, and noticed the proceeding in the *Federal Register*.² Comments were received from the Public Representative and the National Postal Policy Council (NPPC).³ A Chairman's Information Request was issued and subsequently answered.⁴

III. HISTORY OF THE REPLY RIDES FREE PROGRAM

Original Reply Rides Free. The Reply Rides Free program was initially approved for a period of 1 year.⁵ Reply Rides Free offers mailers an incentive to include reply envelopes in mailings to generate revenues and offset mailing costs. First-Class Mail Automation Letters weighing more than 1 ounce, but not more than 1.2 ounces, would qualify for postage at the 1-ounce rate if the letters include a courtesy reply card or reply envelope. All presort and automation letter volumes would count toward a volume threshold requirement; however, only automation letters (until May 1, 2010) and thereafter only automation letters with the full-service Intelligent Mail barcode (IMb) would qualify for the discounts. Only customers who mailed First-Class Mail presort and automation letters in FY 2009 and FY 2010 qualify for this initiative.

First modification to Reply Rides Free. On February 28, 2011, the Commission approved the first classification change to the Reply Rides Free program, effective May

² Notice and Order Concerning Filing of Postal Service Request for Classification Change Concerning Reply Rides Free Program, August 1, 2011 (Order No. 785).

³ Public Representative Comments on Postal Service Notice of Classification Changes Regarding Reply Rides Free, August 12, 2011 (PR Comments); Comments of the National Postal Policy Council, August 12, 2011 (NPPC Comments).

⁴ Chairman's Information Request No. 1, August 4, 2011; Response of the United States Postal Service to Chairman's Information Request No. 1, August 10, 2011 (Response to CHIR No. 1).

⁵ Docket No. R2011-1, Order Approving Market Dominant Classification and Price Changes, and Applying Price Cap Rules, December 10, 2010 (Order No. 606).

1, 2011.⁶ The classification change relaxes the requirement that qualifying First-Class Mail Letters be mailed under the full-service IMb option so that only the basic IMb option is required.

The Commission also added a data collection requirement at this time. The data collection requirement shall remain in effect after resolution of the instant request.

IV. CURRENT PROPOSED CLASSIFICATION CHANGE

The Postal Service proposes a classification change which increases qualifying First-Class Mail letter weight from no more than 1.2 ounces, to no more than 2 ounces. The Postal Service states that preparing mail to meet the 1.2-ounce requirement has proven to be an obstacle to mailer participation in the program. Notice at 1.

The Postal Service also proposes to prorate the volume commitment for customers who begin participation in the Reply Rides Free program on September 1, 2011 or later based on their volume during September–December 2010 as a proportion of total 2010 volume.

The Postal Service anticipates a Reply Rides Free volume of approximately 18 million pieces, generating estimated revenue of \$6.6 million. Response to CHIR No. 1, question 3.

The Postal Service acknowledges the classification change effectively results in a price decrease. *Id.* question 1. The Postal Service continues to seek treatment under rule 3010.24(a) which excludes the effect on the incentive from the percentage change in price used to compute unused price adjustment authority. See Order No. 606 at 19.

⁶ Docket No. MC2011-20, Order No. 685, Order Incorporating Reply Rides Free Program Classification Change into the Mail Classification Schedule, February 28, 2011.

V. COMMISSION ANALYSIS

The Commission added the Reply Rides Free program, including the full-service IMb option requirement, to the draft MCS on December 10, 2010 in Docket No. R2011-1. The Commission then approved a classification change to relax the full-service IMb requirement option so that only the basic IMb option is required in Docket No. MC2011-20. The material presented in those dockets provides the necessary background for considering the instant change.

The classification change currently proposed further relaxes the Reply Rides Free program requirements by expanding the allowable letter weight and adjusting volume requirements. The Postal Service states that the original 1.2-ounce weight limitation was an obstacle to mailer participation in the program.

Comments were received from the Public Representative and NPPC. The Public Representative did not oppose the classification change. However, he did question whether making the change would provide a worthwhile incentive to spur mailer participation with only 4 months remaining in the program. PR Comments at 3. NPPC enthusiastically supports the Reply Rides Free program, but also comments on whether the change will have any appreciable effect on volume with the time remaining in the program. NPPC Comments at 1.

The proposed change does not affect the considerations that previously led to incorporating Reply Rides Free into the MCS. The change might allow a larger pool of mailers to continue to qualify for the program, thus having a greater positive effect on First-Class Mail volume than the program would have had as previously proposed. The change shall be treated under rule 3010.24(a), which excludes the effect on the incentive from the percentage change in price used to compute unused price adjustment authority. The draft MCS shall be modified accordingly.

It is ordered:

The draft Mail Classification Schedule shall be modified concerning Reply Rides Free as indicated in the body of this Order with an effective date of September 1, 2011.

By the Commission.

Shoshana M. Grove
Secretary